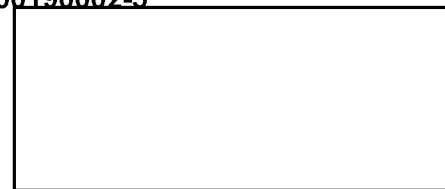




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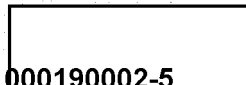


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SITUATION REPORTS

IRAN

The serious violence over the past three days increases the pressure on the government to reach an accommodation with the religious opposition to allow Ayatollah Khomeini to return to Iran. Prime Minister Bakhtiar apparently still hopes to arrange a meeting with Khomeini, but the Islamic leader seems in no mood to compromise. [REDACTED]

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Troops again yesterday fired on antigovernment crowds who defied the ban on demonstrations. Clashes also occurred in several provincial cities. Demonstrators in Eshfahan, possibly assisted by some defecting soldiers, fought with forces loyal to the government. [REDACTED]

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Moderate political leaders in contact with the Embassy this weekend reported that crowds waiting in Tehran for Khomeini's return had become increasingly restive. Some speakers at a rally on Saturday called for an armed struggle if Khomeini did not return by Tuesday. [REDACTED]

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We are receiving conflicting reports on whether Bakhtiar will fly to Paris even though Khomeini has demanded his resignation as the price for a meeting. Bakhtiar's decision to seek a meeting suggests that he realizes that his "get tough" policy was not working and that he was having no success in mustering popular support or in ending the paralysis in the economy. He was faced with the choice of a severe repression or an accommodation. [REDACTED]

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Unless Bakhtiar can arrive at a political agreement, demonstrations and violence are likely to continue. Three terrorist incidents have already been reported in the past three days--a noticeable increase. The terrorists could begin targeting Americans in an effort to attract attention and to press the US to force Bakhtiar into a compromise. [REDACTED]

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BRIEFS AND COMMENTS

EASTERN EUROPE: Tough Trade Negotiations with Soviets

//The East Europeans, seeking increased deliveries of Soviet industrial materials and oil in the period 1981 to 1985, are facing stiff resistance from the USSR,

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The already strained East European economies consequently face hard times. Since the mid-1960s, when the growth of Soviet materials and oil deliveries began to slow, the East Europeans have increasingly bought these goods from the West, incurring huge trade deficits and payments problems that now plague them. If the East Europeans cannot raise the funds to continue purchasing from the West, Moscow may have to backtrack somewhat to avoid a severe economic crisis in the region.

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EAST GERMANY: High-Level Visit to Africa

East German party-state chief Honecker will reportedly head a high-level delegation to Angola, Ethiopia, and Mozambique early next month. East Germany is most active politically and economically in Africa in these three countries. The trip will serve to show the flag, drum up trade, reaffirm solidarity with "progressive" states and "liberation" movements, and continue East Germany's support of its closest ally, the Soviet Union.

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The trip, Honecker's first to Africa, will heighten East Germany's already high profile in Africa and may presage an increased involvement there. The East Germans are interested in trade in finished products for African coffee, raw materials, and energy sources.

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East Germany is the most active Communist state in Africa after the USSR and Cuba. The Honecker regime recently resumed diplomatic relations with Zaire; they had been broken off by Kinshasa during the incursion into the Shaba region in 1977.

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USSR: Labor Problems in the Coal Mines

Attempts to deal with the pending energy crunch in the USSR are being complicated by deteriorating mining conditions, insufficient labor supply, and falling labor productivity in the USSR's most important coal basin.

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The Soviets are having serious problems obtaining adequate labor to work the coal mines in the Ukrainian Donbas. This area accounts for about one-third of total Soviet raw coal production and about one-half of the supply of metallurgical grade coal.

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Despite a 10-percent increase in the Donbas labor force from 1975 to 1978, production has fallen steadily during this period because of difficult mining conditions--the mines are among the deepest in the world, contain high concentrations of methane gas, and are not amenable to mechanization because of limited coal seam thickness. Donbas productivity is now only one-half the average of other underground Soviet coal mines.

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To attract additional workers, the government recently cut the average workweek in many Donbas mines to 30 hours. This compares with a 36- to 41-hour week in other areas. Average monthly wages were increased to 500 rubles, about 75 percent above coal industry average and roughly three times the average industrial wage in the USSR. Even these wage incentives are proving inadequate, prompting the Soviets to assign the Donbas top priority in labor allocations. Workers recruited for assignments to other mining centers are being dispatched to the Donbas.

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CHINA: Urban Housing Problem

In the past 18 months, China has made a new commitment to ease a critical urban housing shortage. Until now, the government has addressed the problem by slowing the population growth of cities through birth control and halting migration from rural to urban areas.

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The present housing shortage is compounded by the poor condition of many existing city dwellings. Most urban housing built since 1949 has been concentrated in industrialized suburbs, and there has been little renovation in the decaying city cores.

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The housing shortage could prove to be China's most difficult and costly urban problem. The party Central Committee has ordered an ambitious seven-year plan, which, if fulfilled, should significantly increase the amount and quality of urban housing, particularly because Vice Premier Deng Xiaoping (Teng Hsiao-ping) is personally pushing the plan. The leadership believes workers' living conditions must be improved in order to raise the level of productivity of the urban labor force.

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Chinese leaders are also promising to improve rural conditions, largely through better terms of trade for agricultural products. The hope is that the relative inferiority of conditions in the countryside will not become more marked as urban conditions improve. This problem is already the focus of rural discontent.

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In addressing both rural and urban aspects of the problem, government spokesmen, even Chairman Hua Guofeng (Hua Kuo-feng), have emphasized the importance of strong rural-urban economic links. Recent peasant demonstrations in Beijing (Peking) and elsewhere for better living conditions will keep the issue a painfully current one.

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NAMIBIA: UN Representative to Visit Frontline States

Martti Ahtisaari, UN Secretary General Waldheim's special representative for Namibia, arrived in Tanzania yesterday to begin a two-week tour that will include visits to Angola, Zambia, Mozambique, Botswana, and Nigeria to reassure them and the South-West Africa People's Organization that his procedural agreements with the South Africans conform to the transitional program that the Security Council adopted last September. He will also explore possibilities for meeting a renewed South African demand for UN monitoring of SWAPO bases outside Namibia. The UN plan does not explicitly provide for such monitoring because frontline leaders rebuffed an earlier Western proposal that UN monitors go to Angola and Zambia. SWAPO no doubt will reject any monitoring of its guerrilla forces outside Namibia, and will press the Security Council to revise some of Ahtisaari's procedural agreements with the South Africans. Waldheim meanwhile is sounding out the South Africans and other parties on the national contingents of a UN military force for Namibia.

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Syria-Iraq: Talks

Iraqi political leader Saddam Husayn arrived in Damascus yesterday for talks with President Assad on ways to strengthen the three-month-old rapprochement between these two traditional foes. The absence of Iraqi President Bakr--who chairs the higher political committee with Assad but is allegedly ill--probably reflects the limited progress made toward real integration of the countries. The higher political committee convened last night.

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SPECIAL ANALYSIS

USSR: Concern over China-Vietnam Situation

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[REDACTED]

The USSR, in its actions and commentary, has shown increasing concern about possible Chinese military moves against Vietnam.

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[REDACTED]

Soviet actions thus far do not amount to a concerted effort to deter China, and there is no indication that Moscow has offered Vietnam a concrete pledge of military support.

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Until recently, the Soviets were remarkably relaxed about Sino-Vietnamese tensions. Several Soviet spokesmen--including the DCM at the Soviet Embassy here--stated privately that Chinese pressure tactics against Vietnam would stop short of a military attack. A prominent *Izvestia* commentator remarked that the US could be expected to restrain the Chinese; a leading Soviet Sinologist in Moscow alluded to Soviet support for Vietnam as a constraint.

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Soviet media also paid less attention to heightened tensions than to signs of a return to normality inside Kampuchea. The line was that China might try to intimidate Vietnam, but would do nothing, because the war was already over.

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New Media Line

Red Star in mid-January referred to the "grave consequences" stemming from the Chinese concentration of forces on Vietnam's border, and *Pravda* on 19 January drew attention to Mongolia's northeastern border with China. The article referred to a 1936 Soviet-Mongolian mutual assistance protocol and was linked to the anniversary of a 1946 treaty.

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The article possibly was designed to remind China of Moscow's intention to fulfill its commitments to Soviet allies on China's borders. Several days later,

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Soviet media stated that the Chinese had "stepped up" their provocations against Vietnam and were "feverishly" mustering troops and equipment along the Vietnamese border. Soviet news broadcasts on Saturday, quoting Western press, for the first time referred to a possible Chinese contingency plan for a strike across the Vietnamese border. *Pravda* went even further in a commentary yesterday, asserting that there are grounds for the Western reports. It said China in recent days has been "activating armed provocations" aimed at "sparking a military conflict in Southeast Asia."

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Soviet Options

If the Soviets decide to resort to military measures to deter the Chinese, there are a variety of steps that they could take. Such measures might include--under the provisions of the recently concluded Treaty of Friendship with the Vietnamese--consultations, conspicuous military aid, and a naval show of force. The Soviets could also undertake demonstrative air and ground patrolling on the Sino-Soviet border.

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An indication that the Soviets were prepared to move in any of these directions could appear in the Soviet media with a reference to the imminence of a Chinese assault against Vietnam.

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OVERNIGHT REPORTS

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Afghanistan-USSR

The US Embassy in Kabul reports an official newspaper account that Afghanistan will send 1,500 students to the USSR for advanced study during the next academic year. According to the announcement, all of the students will receive Soviet-financed scholarships--a 15-fold increase, the Embassy notes, over the number offered during the academic year before President Daoud was ousted. Virtually all of the students, the Embassy adds, probably will receive scientific and technical training--engineering, hydrology, geology, physics--as well as the presumed political indoctrination. [REDACTED]

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Israel-France

Foreign Minister Dayan arrived in Paris last night for two days of talks with French officials; Dayan is the first member of Prime Minister Begin's cabinet to visit France. [REDACTED]

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COMMENT: *The visit had been deferred from last fall, when Dayan went to Washington on an urgent basis for talks on implementing the Camp David agreement. His talks with the French will focus on the prospects for achieving peace in the Middle East.* [REDACTED]

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